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SUBJECT: QADHAFI, BERLUSCONI SIGN HISTORIC AGREEMENT

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¶1. (SBU) The Italian Ambassador in Tripoli briefed local heads of mission on a "historic treaty of friendship and cooperation" (or "colonial compensation agreement", as the Libyan government has characterized it) signed on August 30 in Benghazi by Libyan leader Muammar al-Qadhafi and Italian prime minister Silvio Berlusconi. The signing ceremony took place on the front terrace of the former residence of the Italian colonial military governor of Libya, and was witnessed by several hundred descendants of Libyans who had been exiled by the Italians during that period, as well as by the son of famed Libyan resistance fighter Omar al-Mukhtar. In remarks at the event that were widely publicized in Libya, Berlusconi expressed regret for the pain that Italy's colonization had caused to Libyans.

¶2. (SBU) According to the ambassador, the treaty is intended to "turn a new page" in Italian-Libyan relations, which have been plagued by difficulties due to Italy's colonial history in Libya. He said his government had insisted that Qadhafi, rather than the prime minister, sign the document to underscore its historic nature and to help ensure that it would be respected by Libya. It contains 23 articles covering a wide variety of topics including trade and investment, illegal immigration, scholarships, the return of stolen antiquities, the re-naming of a Libyan holiday, and, most prominently, an Italian commitment to fund USD 5 billion of infrastructure projects in Libya.

¶3. (SBU) Highlights of the treaty, which the ambassador said must be ratified by the Italian parliament, are:

-- Infrastructure investment: Italy will provide USD 5 billion in funding for infrastructure projects in Libya over a 20-year period (i.e., USD 250 million/year). Libya will propose projects; a joint Libyan-Italian committee will decide which will be funded; and Italian companies will implement them.

-- "Special initiatives": Italy will build 200 housing units for descendants of Libyans who were deported to Italy during the Italian occupation; provide hospitalization in Italy to victims of land mines (according to the local United Nations head representative, there are approx. 2 million land mines in Libya dating from the Italian colonial era, WWII, and Libya's conflicts with Egypt and Chad); provide a number of scholarships for Libyans to study in Italy; and return antiquities that had been taken from Libya to Italy (the "Venus of Cyrene," a Roman-era statue that had been removed from Libya in 1916, was unveiled at the signing ceremony).

-- Non-discrimination: Libya will revoke a regulation requiring Italian companies investing in Libya to double-register with the Ministry of Economy and the Prime Minister's office. This regulation had added a discriminatory, political layer of regulatory approval for Italian investments, the ambassador said.

-- Illegal migration: The treaty calls for implementation of earlier bilateral agreements aimed at stemming the flow of illegal migration from Libya to Italy. The ambassador noted that the number of such migrants, who are mainly sub-Saharan Africans, had sharply risen, from 8,000 last year to 18,000 this year.

-- Border control: In response to a longstanding Libyan request to the European Union to fund a border control surveillance system for its southern land border, Italy in this treaty agreed to fund up to 50 percent of the cost of such a system, provided that Italian firms are awarded a corresponding percentage of the project.

-- Visas: Italians who were expelled from Libya in 1970 (shortly after Qadhafi came to power) will be allowed to return to Libya to visit. They originally numbered over 20,000 and had been barred from returning to Libya.

-- Fishing: Libya agreed to negotiate an MOU with Italy over fishing rights in disputed waters.

-- Human rights: The agreement includes a provision on respect

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for human rights.

-- Dialogue: The two sides agreed to meet yearly at the prime minister and foreign minister levels.

-- New holiday: Libya agreed to cancel the annual October 7 "Italian Evacuation Day", marking the expulsion of Italians from Italy, and replace it with a "Libyan-Italian Friendship Day," to be celebrated annually on August 30, the date of the signing of the treaty.

14. (SBU) Comment: The GOL was eager to conclude the historic treaty with Italy this year as part of its recent, accelerated opening to Europe that began with the resolution in 2007 of its dispute with the EU over the jailed Bulgarian nurses. The GOL views the signing of a claims settlement agreement with the United States on August 14 and the Secretary's upcoming visit as similarly major milestones in its re-engagement with the West.  
STEVENS